

**REVISED**

Michigan Department of Treasury  
496 (2-04)

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Capac</b>	County <b>St. Clair</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>11/29/05</b>	Date Accountant Report Submitted to State: <b>12/29/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |                                                                     |                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.                                                                                                                                                                                                                             |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).                                                                                                                                                                                                      |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).                                                                                                                                                                                                                |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.                                                                                                                                             |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).                                                                                                                                             |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.                                                                                                                                                                                                                     |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).                                                                                                                                                                                                         |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).                                                                                                                                                                                                                                |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Stewart, Beauvais &amp; Whipple</b>			
Street Address <b>1979 Holland Ave.</b>	City <b>Port Huron</b>	State <b>MI</b>	ZIP <b>48060</b>
Accountant Signature <i>Stewart, Beauvais &amp; Whipple</i>		Date <b>1-19-06</b>	

**VILLAGE OF CAPAC, MICHIGAN**

**ANNUAL FINANCIAL STATEMENTS  
with Supplementary Information**

**FOR THE YEAR ENDED JUNE 30, 2005**

Stewart,  
Beauvais  
& Whipple P.C.

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CERTIFIED PUBLIC ACCOUNTANTS



**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

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**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

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## INDEPENDENT AUDITOR'S REPORT

To the President and Members  
of the Village Council  
Village of Capac, Michigan

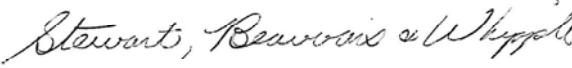
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Village of Capac, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Capac's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Village of Capac, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 7, and schedules of budgetary comparisons on pages 39 through 40 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Capac, Michigan's basic financial statements. The supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Certified Public Accountants

November 29, 2005

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Village of Capac's 2005 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information. The basic financial statements include two kinds of statements that present different views of the Village. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Village's government, reporting the Village's operations in more detail than the government-wide statements.

#### *Government-wide Financial Statements*

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Village's net assets and how they have changed. Net assets, defined as the difference between the Village's assets and liabilities, are one way to measure the Village's financial health or position.

The government-wide financial statements of the Village are divided into two categories:

**Governmental activities** - most of the Village's basic services are included here, such as the police, fire, public works, parks and recreation, general administration and debt retirement. Property taxes, state-shared revenues, charges for services, provided most of the funding.

**Business-type activities** - the Village charges fees to customers to help it cover the costs of certain services it provides. The water, sewer and trash operations are treated as business-type activities.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the Village's most significant funds; not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Village Council establishes other funds to control and manage money for particular purposes.

The Village has three kinds of funds:

**Governmental funds** - Most of the Village's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. The Village currently has 7 governmental funds.

**Proprietary funds** - Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The Village currently has three proprietary funds.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Village's operations.

#### **FINANCIAL OVERVIEW (Government-wide financial analysis)**

The Village has combined total net assets of \$5,400,694 million. This is a decrease of (\$114,112) over 2004. Government-type activities comprise \$1,269,646 million, and business-type activities make up \$4,131,048 million of the total net assets. In a condensed format, the table below shows net assets as of June 30, 2005 and 2004:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Assets</b>				
Current assets	\$ 740,430	\$ 939,078	\$ 115,166	\$ 148,824
Restricted assets	-	-	303,715	330,295
Other assets	-	-	57,915	65,505
Capital assets	<u>805,436</u>	<u>742,583</u>	<u>5,649,297</u>	<u>5,641,797</u>
Total assets	<u>1,545,866</u>	<u>1,681,661</u>	<u>6,126,093</u>	<u>6,186,421</u>
<b>Liabilities</b>				
Current liabilities	89,662	69,685	37,098	47,706
Long-term liabilities	<u>186,558</u>	<u>127,938</u>	<u>1,957,947</u>	<u>2,107,947</u>
Total liabilities	<u>276,220</u>	<u>197,623</u>	<u>1,995,045</u>	<u>2,155,653</u>
<b>Net Assets</b>				
Invested in capital assets -				
Net of related debt	628,851	623,478	3,735,797	3,584,955
Restricted	636,938	15,853	368,940	330,295
Unrestricted	<u>3,857</u>	<u>844,707</u>	<u>26,311</u>	<u>115,518</u>
Total net assets	<u>\$ 1,269,646</u>	<u>\$ 1,484,038</u>	<u>\$ 4,131,048</u>	<u>\$ 4,030,768</u>

The Village's governmental activities experienced a net change in assets of \$(214,329). The main reason is the General Fund incurring an operating loss and a \$97,667 transfer from the Water & Sewer Connection Fee Fund to the Enterprise Fund. The business-type activities experienced an increase in net assets of \$100,280, which mainly was a result of the transfer from the Water & Sewer Connection Fee Fund.



The following table shows the changes in net assets for 2005 and 2004:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Revenue</b>				
Program revenue:				
Charges for services	\$ 43,613	\$ 41,392	\$ 436,194	\$ 415,396
Operating grants and contributions	173,125	207,562	-	-
General revenue:				
Property taxes	483,822	470,402	105,057	103,837
State-shared revenue	219,573	221,993	-	-
Other unrestricted grants	15,552	15,943	-	-
Unrestricted investment earnings	13,341	13,332	4,086	3,498
Gain on sale of asset	-	9,688	-	-
Total Revenue	<u>949,026</u>	<u>980,312</u>	<u>545,337</u>	<u>522,731</u>
<b>Program Expenses</b>				
General government	243,968	177,143	-	-
Public safety	486,138	460,135	-	-
Public works	228,479	255,432	-	-
Economic development	-	21,290	-	-
Recreation and cultural	26,207	19,441	-	-
Other activities	74,492	59,508	-	-
Interest on long-term debt	6,467	3,475	-	-
Water	-	-	218,204	296,193
Sewer	-	-	257,050	278,941
Trash	-	-	67,470	50,438
Total Program Expenses	<u>1,065,751</u>	<u>996,424</u>	<u>542,724</u>	<u>625,572</u>
<b>Changes in net assets before transfers</b>	( 116,725)	( 16,112)	2,613	( 102,841)
Transfers between funds	<u>( 97,667)</u>	<u>( 117,712)</u>	<u>97,667</u>	<u>117,712</u>
<b>Changes in net assets</b>	<u>\$ (214,392)</u>	<u>\$ ( 133,824)</u>	<u>\$ 100,280</u>	<u>\$ 14,871</u>

### ***Governmental Activities***

Revenues for governmental activities totaled \$949,026 million in 2005. Of this amount \$483,822 million or 51% was received from taxes followed by State Shared Revenue of \$219,573 or 23%.

### ***Business-type Activities***

The Village has three business-type activities, sewer, water and trash. The Village provides water to the Village users from the Village wells. The Village provides sewage disposal services with a Lagoon system. Trash services are contracted by the Village. For the year ended June 30, 2005 the sewer, water and trash funds had a net increase (decrease) of \$20,681, \$85,227 and \$(5,628) respectively.

## **FINANCIAL ANALYSIS OF MAJOR FUNDS**

The General Fund had a total fund balance deficit of \$107,179, when the reserve fund balance of \$12,287 is removed, the general fund had an unreserved/undesignated fund balance of \$119,466. This is a decrease of \$124,056 from the prior year.

The remaining governmental funds reported a change in fund balance during the year and had a fund balance at June 30, 2005 of the following:

	Increase/Decrease In Fund Balance	Fund Balance
Major Street	\$ 20,349	\$ 152,049
Local Street	3,678	15,099
Streets and Highway	( 13,180)	-
Street Improvement	53,961	100,893
Equipment Replacement	( 46,405)	50,116
Water and Sewer Connection Fee	( 128,224)	356,610

The other major funds are the Sewer, Water and Trash Funds which have been discussed earlier.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the Village Administration and Council monitor the budget, and if necessary, amend the budget to take into account unanticipated events that occur during the year. During the year the Village significantly revised its chart of accounts, therefore a number of amendments were necessary to move amounts to their new accounts. The original general fund estimated expenditures and transfers for the year of \$672,056 and the final budget estimated expenditures of \$657,107 for a difference of \$14,949. In certain instances the actual results varied significantly from the final approved amounts. The most significant areas are as follows:

### **General Fund**

- The police department had a budget of \$389,968 but actual expenditures were \$503,477. The cause of this overage was a capital expenditure of approximately \$50,000 for the police department building and approximately a \$37,000 error in the fringe benefit line item. Both of these have been corrected in the 2005/06 budget.
- The Department of Public Works had a budget of \$18,980 and actual expenditures of \$126,648. The reason for the difference is that most of these expenditures were originally budgeted in the Street & Highway Fund, which was closed into the General Fund.

### **Other Funds**

- The Street Improvement fund estimated expenditures of \$57,018 and there were no expenditures during the year.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The Village had \$6,470,420 invested in capital assets for its governmental and business-type activities (net of accumulated depreciation) as of June 30, 2005. The investment in capital assets includes land, building and building improvements, machinery and equipment, vehicles, and water and sewer systems. Infrastructure (e.g. roads, drains, etc.) purchased on or after July 1, 2003 is also included. During the year the Village added approximately \$262,932 of capital assets before taking into account depreciation, \$128,222 in the governmental activities and \$134,710 in the business activities. The most significant item in the governmental activities was continued renovation of the Police Station, and the addition of a new truck. The additions in the business activities were for water system upgrades. Depreciation for the year was \$65,369 in the governmental activities and \$111,523 in the business-type activities.

The following table shows the capital assets at June 30, 2005:

	Governmental Activities	Business-type Activities
Land	\$ 99,254	\$ 39,000
Land improvements	86,779	-
Building and improvements	644,908	-
Machinery and equipment	219,523	56,376
Vehicles	260,176	-
Infrastructure	20,483	-
Utility systems	-	8,797,570
Construction in progress	42,808	117,059
	1,373,931	9,010,005
Accumulated depreciation	( 568,495)	( 3,345,021)
	<u>\$ 805,436</u>	<u>\$ 5,664,984</u>

### Long-term Debt

At June 30, 2005 the Village had \$2,144,505 in long-term debt compared to \$2,235,885 at June 30 2004. During the year the Village refinanced the Police Building Note for \$51,000 and signed a capital lease for the purchase of a pick-up for \$17,992. The following table shows the long-term debt at June 30, 2005:

	Governmental Activities	Business-type Activities
Bonds/Loan	\$ -	\$ 1,955,000
Notes/Contracts Payable	176,585	-
Compensated Absences	9,973	2,947
	<u>\$ 186,558</u>	<u>\$ 1,957,947</u>

### ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The Village of Capac, as with many other cities and villages, has seen revenue sharing cuts and slow SEV increases. The Village has made several labor and project cuts in order to adopt a balanced budget for fiscal year 2005/2006.

### CONTACTING THE VILLAGE

This financial report is designed to provide a general overview of the Village's finances to our residents and other interested parties in understanding the Village's financial condition. If you have questions about this report or need additional financial information, please contact the Village Manager, at 810-395-4355, or in writing to the same, 131 North Main Street, Capac, MI 48014.

## **BASIC FINANCIAL STATEMENTS**

# VILLAGE OF CAPAC, MICHIGAN

## STATEMENT OF NET ASSETS JUNE 30, 2005

	Primary Government			Component
	Governmental	Business Type	Total	Unit (DDA)
	Activities	Activities		
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 328,546	\$ 1,500	\$ 330,046	\$ 290,034
Investments	224,913	3,168	228,081	-
Receivables (net of allowance)	147,316	125,482	272,798	30,000
Prepaid expenditures	24,671	-	24,671	-
Internal balances	14,984	( 14,984)	-	1,180
Restricted Assets -				
Cash and cash equivalents	-	147,974	147,974	-
Investments	-	63,981	63,981	-
Deposits with County	-	91,760	91,760	-
Deferred Charges	-	57,915	57,915	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	142,062	-	142,062	-
Assets being depreciated	663,374	5,649,297	6,312,671	9,783
Total Assets	<u>1,545,866</u>	<u>6,126,093</u>	<u>7,671,959</u>	<u>330,997</u>
<b>LIABILITIES:</b>				
Payables and accrued liabilities	88,482	20,683	109,165	-
Accrued interest	-	16,415	16,415	-
Due to component unit	1,180	-	1,180	-
Non-current liabilities				
Due within one year	23,210	170,000	193,210	-
Due in more than one year	163,348	1,787,947	1,951,295	-
Total Liabilities	<u>276,220</u>	<u>1,995,045</u>	<u>2,271,265</u>	<u>-</u>
<b>NET ASSETS:</b>				
Investment in capital assets, net of related liabilities	628,851	3,735,797	4,364,648	9,783
Restricted	636,938	368,940	1,005,878	-
Unrestricted	3,857	26,311	30,168	321,214
Total Net Assets	<u>\$ 1,269,646</u>	<u>\$ 4,131,048</u>	<u>\$ 5,400,694</u>	<u>\$ 330,997</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CAPAC, MICHIGAN

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General Government	243,968	786	-	-
Public Safety	486,138	40,027	44,620	-
Public Works	228,479	2,800	122,092	-
Recreation and Culture	26,207	-	6,413	-
Other Activities	74,492	-	-	-
Interest on Long Term Debt	6,467	-	-	-
Total governmental activities	<u>1,065,751</u>	<u>43,613</u>	<u>173,125</u>	<u>-</u>
Business type activities				
Sewer	257,050	161,832	-	-
Water	218,204	212,570	-	-
Trash	67,470	61,792	-	-
Total business type activities	<u>542,724</u>	<u>436,194</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>1,608,475</u>	<u>479,807</u>	<u>173,125</u>	<u>-</u>
<b>Component Units</b>				
Downtown Development Authority	<u>2,025</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Component Units	<u>2,025</u>	<u>-</u>	<u>-</u>	<u>-</u>
General revenues:				
Property taxes				
Grants and contribution not				
restricted to specific programs				
State shared revenue				
Other				
Unrestricted investment income				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year				
Net assets at end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

Primary Government		Total	Component Unit (DDA)
Governmental Activities	Business Type Activities		
( 243,182)	-	( 243,182)	-
( 401,491)	-	( 401,491)	-
( 103,587)	-	( 103,587)	-
( 19,794)	-	( 19,794)	-
( 74,492)	-	( 74,492)	-
( 6,467)	-	( 6,467)	-
( 849,013)	-	( 849,013)	-
-	( 95,218)	( 95,218)	-
-	( 5,634)	( 5,634)	-
-	( 5,678)	( 5,678)	-
-	( 106,530)	( 106,530)	-
( 849,013)	( 106,530)	( 955,543)	-
-	-	-	( 2,025)
-	-	-	( 2,025)
483,822	105,057	588,879	65,148
219,573	-	219,573	-
15,552	-	15,552	-
13,341	4,086	17,427	2,486
( 97,667)	97,667	-	-
634,621	206,810	841,431	67,634
( 214,392)	100,280	( 114,112)	65,609
1,484,038	4,030,768	5,514,806	265,388
\$ 1,269,646	\$ 4,131,048	\$ 5,400,694	\$ 330,997

# VILLAGE OF CAPAC, MICHIGAN

## BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2005

	General	Major Street	Water and Sewer Connection Fees
	<u>General</u>	<u>Major Street</u>	<u>Fees</u>
<b>ASSETS</b>			
<b>Assets:</b>			
Cash and cash equivalents	\$ 70,756	\$ 131,645	\$ 26,482
Investments	-	-	224,913
Receivables -			
Taxes	51,239	-	-
Accounts	175	-	540
Due from other governmental units -			
State	76,681	13,708	-
Due from other funds	-	13,257	143,908
	<u>-</u>	<u>13,257</u>	<u>143,908</u>
Total Assets	<u>\$ 198,851</u>	<u>\$ 158,610</u>	<u>\$ 395,843</u>
<b>Liabilities:</b>			
Accounts payable	\$ 12,525	5,653	39,233
Accrued liabilities	24,873	908	-
Due to developers	2,574	-	-
Due to other funds	206,369	-	-
Due to component unit	1,180	-	-
Deferred revenue	58,509	-	-
	<u>58,509</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>306,030</u>	<u>6,561</u>	<u>39,233</u>
<b>Fund Balances (Deficits):</b>			
Reserved	12,287	-	-
Unreserved -			
Undesignated -			
General Fund	( 119,466)	-	-
Special Revenue Funds	-	152,049	-
Capital Projects Fund	-	-	356,610
Total Equity	<u>( 107,179)</u>	<u>152,049</u>	<u>356,610</u>
Total Liabilities and Fund Equity	<u>\$ 198,851</u>	<u>\$ 158,610</u>	<u>\$ 395,843</u>

The accompanying notes are an integral part of these financial statements.



Other Governmental Funds	Total Governmental Funds
\$ 99,663	\$ 328,546
-	224,913
-	51,239
-	715
4,973	95,362
64,188	221,353
<u>\$ 168,824</u>	<u>\$ 922,128</u>
\$ 1,321	\$ 58,732
1,395	27,176
-	2,574
-	206,369
-	1,180
-	58,509
<u>2,716</u>	<u>354,540</u>
-	12,287
-	( 119,466)
166,108	318,157
-	356,610
<u>166,108</u>	<u>567,588</u>
<u>\$ 168,824</u>	<u>\$ 922,128</u>

## VILLAGE OF CAPAC, MICHIGAN

### RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS JUNE 30, 2005

Fund Balances - total governmental funds	\$	567,588
Amounts reported for governmental activities in the statement of net assets are different because:		
Prepaid expenses are recorded in the funds on the purchase method		24,671
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		1,373,931
Accumulated depreciation	(	568,495)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		58,509
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Notes payable	(	158,593)
Lease Payable	(	17,992)
Accrued compensated absence	(	9,973)
Net Assets of governmental activities	\$	<u>1,269,646</u>

The notes to the financial statements are an integral part of this statement.

# VILLAGE OF CAPAC, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

### GOVERNMENTAL FUNDS

**FOR THE YEAR ENDED JUNE 30, 2005**

	General	Major Street	Water and Sewer Connection Fees
<b>Revenues:</b>			
Taxes	\$ 430,227	\$ -	\$ -
Licenses and permits	15,552	-	-
Intergovernmental -			
Federal/State	270,827	84,753	-
Local	6,413	-	-
Charges for services	-	-	2,800
Fines and forfeits	11,613	-	-
Interest and rent	2,513	1,125	8,414
Other	29,200	-	-
Total Revenues	<u>766,345</u>	<u>85,878</u>	<u>11,214</u>
<b>Expenditures:</b>			
Current -			
General Government	234,243	-	-
Public Safety	520,075	-	-
Public Works	126,648	80,479	5,331
Recreation and Cultural	19,545	-	-
Other	55,421	-	-
Debt Service	17,979	-	-
Total Expenditures	<u>973,911</u>	<u>80,479</u>	<u>5,331</u>
Excess of revenues over (under) expenditures	<u>( 207,566)</u>	<u>5,399</u>	<u>5,883</u>
<b>Other Financing Sources (Uses):</b>			
Loan proceeds	51,000	-	-
Transfers in	45,690	36,440	-
Transfers out	<u>( 13,180)</u>	<u>( 21,490)</u>	<u>( 134,107)</u>
Total Other Financing Sources (Uses)	<u>83,510</u>	<u>14,950</u>	<u>( 134,107)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>( 124,056)</u>	<u>20,349</u>	<u>( 128,224)</u>
Fund Balances at beginning of year	<u>16,877</u>	<u>131,700</u>	<u>484,834</u>
Fund Balances (Deficits) at end of year	<u><u>\$ ( 107,179)</u></u>	<u><u>\$ 152,049</u></u>	<u><u>\$ 356,610</u></u>

The accompanying notes are an integral part of these financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 53,595	\$ 483,822
-	15,552
37,339	392,919
-	6,413
-	2,800
-	11,613
1,289	13,341
-	29,200
<u>92,223</u>	<u>955,660</u>
-	234,243
-	520,075
55,304	267,762
-	19,545
19,477	74,898
-	17,979
<u>74,781</u>	<u>1,134,502</u>
<u>17,442</u>	<u>( 178,842)</u>
17,992	68,992
34,670	116,800
<u>( 45,690)</u>	<u>( 214,467)</u>
<u>6,972</u>	<u>( 28,675)</u>
24,414	( 207,517)
<u>141,694</u>	<u>775,105</u>
<u>\$ 166,108</u>	<u>\$ 567,588</u>

**VILLAGE OF CAPAC, MICHIGAN**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2005**

Net change in fund balances - total governmental funds	\$( 207,517)
Change in prepaid expenses recorded in the funds on the purchase method	( 4,474)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	128,222
Depreciation expense	( 65,369)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	( 6,634)
Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however has no effect on net assets.	
Note proceeds	( 68,992)
Principal payments on long term liabilities	11,512
Increase in accrued compensated absences	( 1,140)
Change in net assets of governmental activities	<u><u>\$( 214,392)</u></u>

The notes to the financial statements are an integral part of this statement.

# VILLAGE OF CAPAC, MICHIGAN

## STATEMENT OF NET ASSETS PROPRIETARY FUNDS

JUNE 30, 2005

	Business Type Activities-Enterprise Funds			
	Sewer	Water	Trash	Total
<b>ASSETS:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 500	\$ 500	\$ 500	\$ 1,500
Investments	-	-	3,168	3,168
Accounts receivable	38,667	72,749	14,066	125,482
Due from other funds	11,827	-	14,804	26,631
Total Current Assets	<u>50,994</u>	<u>73,249</u>	<u>32,538</u>	<u>156,781</u>
<b>Restricted Assets:</b>				
Cash and cash equivalents	116,061	31,913	-	147,974
Investments	-	63,981	-	63,981
Due from other funds	-	65,225	-	65,225
Deposits with County	91,760	-	-	91,760
	<u>207,821</u>	<u>161,119</u>	<u>-</u>	<u>368,940</u>
<b>Noncurrent assets</b>				
Capital assets	6,193,491	2,795,991	4,836	8,994,318
Less - accumulated depreciation	( 2,028,962)	( 1,311,423)	( 4,636)	( 3,345,021)
Total Capital Assets (net)	<u>4,164,529</u>	<u>1,484,568</u>	<u>200</u>	<u>5,649,297</u>
Deferred Charges	25,470	32,445	-	57,915
	<u>4,189,999</u>	<u>1,517,013</u>	<u>200</u>	<u>5,707,212</u>
Total Assets	<u>4,448,814</u>	<u>1,751,381</u>	<u>32,738</u>	<u>6,232,933</u>
<b>LIABILITIES:</b>				
<b>Current Liabilities:</b>				
Accounts payable	5,597	2,797	5,858	14,252
Accrued liabilities	3,200	3,231	-	6,431
Due to other funds	87,258	19,582	-	106,840
Total Current Liabilities	<u>96,055</u>	<u>25,610</u>	<u>5,858</u>	<u>127,523</u>
<b>Current Liabilities payable from restricted assets</b>				
Current portion of bonds/notes payable	130,000	40,000	-	170,000
Interest payable	13,709	2,706	-	16,415
	<u>143,709</u>	<u>42,706</u>	<u>-</u>	<u>186,415</u>
<b>Noncurrent liabilities (less current portions):</b>				
Accrued vacation and sick	884	2,063	-	2,947
Bonds payable (net of current portion)	1,045,000	485,000	-	1,530,000
Notes payable (net of current portion)	255,000	-	-	255,000
Total Long-Term Liabilities	<u>1,300,884</u>	<u>487,063</u>	<u>-</u>	<u>1,787,947</u>
Total Liabilities	<u>1,540,648</u>	<u>555,379</u>	<u>5,858</u>	<u>2,101,885</u>
<b>NET ASSETS:</b>				
Investment in capital assets, net	2,746,290	989,307	200	3,735,797
Restricted	207,821	161,119	-	368,940
Unrestricted -				
Undesignated	( 45,945)	45,576	26,680	26,311
Total Net Assets	<u>\$ 2,908,166</u>	<u>\$ 1,196,002</u>	<u>\$ 26,880</u>	<u>\$ 4,131,048</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF CAPAC, MICHIGAN

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Business Type Activities-Enterprise Funds			
	Sewer	Water	Trash	Total
<b>Operating Revenues:</b>				
Charges for services	\$ 144,747	\$ 211,853	\$ 61,792	\$ 418,392
Other	17,085	717	-	17,802
Total Operating Revenues	<u>161,832</u>	<u>212,570</u>	<u>61,792</u>	<u>436,194</u>
<b>Operating Expenses:</b>				
Salaries	42,629	53,600	162	96,391
Fringe benefits	36,083	45,606	54	81,743
Professional fees	450	450	-	900
Contracted services	6,744	15,687	-	22,431
Repairs and maintenance	4,097	1,592	-	5,689
Telephone	-	867	-	867
Supplies	2,900	17,152	547	20,599
Utilities	10,427	10,722	-	21,149
Rubbish expenditures	-	-	65,251	65,251
Miscellaneous	25,521	15,355	1,356	42,232
Depreciation	70,558	40,865	100	111,523
Total Operating Expenses	<u>199,409</u>	<u>201,896</u>	<u>67,470</u>	<u>468,775</u>
Operating Income (Loss)	<u>( 37,577)</u>	<u>10,674</u>	<u>( 5,678)</u>	<u>( 32,581)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Interest income	2,265	1,771	50	4,086
Interest expense	( 57,641)	( 16,308)	-	( 73,949)
Property taxes	105,057	-	-	105,057
Total Non-Operating Revenues	<u>49,681</u>	<u>( 14,537)</u>	<u>50</u>	<u>35,194</u>
Net Income (Loss) Before Transfers	<u>12,104</u>	<u>( 3,863)</u>	<u>( 5,628)</u>	<u>2,613</u>
<b>Transfers:</b>				
Transfers in	8,577	97,667	-	106,244
Transfers out	-	( 8,577)	-	( 8,577)
	<u>8,577</u>	<u>89,090</u>	<u>-</u>	<u>97,667</u>
Net Income (Loss)	20,681	85,227	( 5,628)	100,280
Net Assets at beginning of year	<u>2,887,485</u>	<u>1,110,775</u>	<u>32,508</u>	<u>4,030,768</u>
Net Assets end of year	<u>\$ 2,908,166</u>	<u>\$ 1,196,002</u>	<u>\$ 26,880</u>	<u>\$ 4,131,048</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF CAPAC, MICHIGAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Business Type Activities-Enterprise Funds

	<u>Sewer</u>	<u>Water</u>	<u>Trash</u>	<u>Total</u>
<b>Cash Flows From Operating Activities:</b>				
Cash receipts from customers	\$ 155,024	\$ 189,702	\$ 47,530	\$ 392,256
Cash payments to suppliers	( 57,400)	( 58,545)	( 61,526)	( 177,471)
Cash payments to employees	( 75,512)	( 95,975)	( 162)	( 171,649)
Net Cash Provided by Operating Activities	<u>22,112</u>	<u>35,182</u>	<u>( 14,158)</u>	<u>43,136</u>
<b>Cash Flows From Non-capital Financing Activities:</b>				
Due from/to other funds	31,523	(41,712)	-	( 10,189)
Transfers from/to other funds	8,577	89,090	-	97,667
Net Cash Used from Non-Capital Financing Activities	<u>40,100</u>	<u>47,378</u>	<u>-</u>	<u>87,478</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Principle payments	( 105,000)	( 45,000)	-	( 150,000)
Interest payments	( 57,264)	( 17,617)	-	( 74,881)
Property taxes	105,057	-	-	105,057
Acquisition and construction of capital assets	( 17,651)	( 101,372)	-	( 119,023)
Net Cash Used by Capital and Related Financing Activities	<u>( 74,858)</u>	<u>( 163,989)</u>	<u>-</u>	<u>( 238,847)</u>
<b>Cash Flows From Investing Activities:</b>				
Redemption (purchase) of investments	16,236	9,266	-	25,502
Interest earned	2,265	1,771	50	4,086
Net Cash Provided by Investing Activities	<u>18,501</u>	<u>11,037</u>	<u>50</u>	<u>29,588</u>
Net Increase (Decrease) in Cash and Cash Equivalents for the year	5,855	( 70,392)	( 14,108)	( 78,645)
Cash and Cash Equivalents at Beginning of Year	<u>202,466</u>	<u>102,805</u>	<u>14,608</u>	<u>319,879</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 208,321</u></u>	<u><u>\$ 32,413</u></u>	<u><u>\$ 500</u></u>	<u><u>\$ 241,234</u></u>
<b>Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss) for the year	\$( 37,577)	\$ 10,674	\$( 5,678)	\$( 32,581)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -				
Depreciation	75,652	43,361	100	119,113
Change in assets and liabilities:				
Receivable	( 6,808)	( 22,868)	( 2,276)	( 31,952)
Due from other funds	-	-	( 1,768)	( 1,768)
Accounts payable/accrued expenses	( 9,155)	4,015	( 4,536)	( 9,676)
Net Cash Provided By Operating Activities	<u><u>\$ 22,112</u></u>	<u><u>\$ 35,182</u></u>	<u><u>\$( 14,158)</u></u>	<u><u>\$ 43,136</u></u>

The accompanying notes are an integral part of these financial statements.



**VILLAGE OF CAPAC**

**STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2005**

	<u>Agency Fund</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 1,357
Due from other governmental units	<u>1,034</u>
	<u>\$ 2,391</u>
 <b>LIABILITIES:</b>	
Due to other governmental units	<u>\$ 2,391</u>

**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Reporting Entity -**

The Village of Capac, Michigan, was incorporated as a General Law Village in 1857, under provisions of the constitution and general law of the State of Michigan, with its Charter provided by Act 3 of 1895. The Village is located in Western St. Clair County, and covers an area of approximately 2 square miles. The Village operates under an elected Village Council, which consists of the President and six Council members, with the daily activities operated by the Village President. The Village provides services to its approximately 1,500 residents in many areas including law enforcement, water supply, sewage treatment, and other public works, including street maintenance.

These financial statements present the Village and its component units, entities for which the Village is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Village.

**DISCRETELY PRESENTED COMPONENT UNIT -**

**DOWNTOWN DEVELOPMENT AUTHORITY** - The Authority is controlled by a nine member Council, who are appointed by the Village President. The DDA is responsible for the creation of a development and financial plan for the Downtown district or a development area within the district to promote economic growth. The Authority must obtain Village Council approval of all development and financial plans. The annual operating budget and any modification also requires the approval of the Village Council.

The Downtown Development Authority was included in the scope of the audit of the basic financial statements. Separate audited financial statements for this component unit were not issued.

**B. Government-wide and fund financial statements -**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation -**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers all revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes which are levied on July 1, and due on September 14, are recognized as revenue in the year due. All other revenue items are considered to be measurable and available only when cash is received by the Village.

**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

The Village reports the following major governmental funds:

**General Fund** - is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Major Street Fund** - is a special revenue fund used to account for ACT 51 money and other related revenues restricted for major street maintenance and improvements.

**Water and Sewer Connection Fees Fund** - is a capital project fund used to account for the construction of major capital assets for the water and sewer funds.

The Village reports the following major proprietary funds:

**Sewer Fund** - is used to account for sanitary sewer services provided to the residential and commercial users.

**Water Fund** - is used to account for the treatment and distribution of water to the residential and commercial users.

**Trash Fund** - is used to account for the operations and activities of the Village's Garbage collection.

Additionally, the government reports the following fund types:

**Special Revenue Funds** - are used to account for the proceeds of specific revenue sources (other than expectable trusts and major capital projects) that are equally restricted to expenditures for specific purposes.

**Capital Project Funds** - are used to account for financial resources to be used for the acquisition or consultation of major projects (other than these financed by Proprietary Funds).

**Agency Fund** - is used to account for assets held by the Village as an agent for individuals, other governments and/or funds. The Agency Fund is custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for these business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principle operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then the unrestricted resources as they are needed.

**D. Assets, Liabilities and Net Assets or Equity -**

**Deposits and Investments -**

The Village maintains a common checking account for its operation funds. Each participating fund reports its share separately.

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, savings, certificates of deposit with original maturities of three months or less from the date of acquisition and financial institution pooled funds. The financial institution pooled funds have the general characteristics of demand deposit accounts in that the Village may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Receivables and Payables -**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

**Inventories and Prepaid Items -**

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded in the fund financial statements on the purchase method and as prepaid in the government-wide financial statements.

**Property Tax Calendar -**

The Village's property tax is levied as of July 1 on the assessed valuation of property located in the Village as of the preceding December 31, as adjusted by the March and July Board of Reviews. The taxes are due on September 14, after which they are added to the delinquent tax roll.

**Capital Assets -**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$1000 and an estimated useful life in excess of two years. (Assets that were capitalized in the Water and Sewer Funds prior to July 1, 2003 with a value less than \$1,000 were not removed.) Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

As permitted by GASB Statement No. 34, the Village has elected not to report governmental infrastructure assets (principally roads and sidewalks) acquired prior to July 1, 2003.

**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

Capital assets of the primary government, as well as the component unit, are depreciated using the straight line method over the following estimated useful lives.

	<u>Years</u>
Building and Improvements	7-50
Utility Systems	10-80
Road Systems/Other Infrastructure	20-30
Machinery and Equipment	3-20
Vehicles	3-10

**Compensated Absences -**

In accordance with contracts negotiated with the various employee groups of the Village, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All vested vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Long-Term Obligations -**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity -**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Estimates -**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**Budgetary Information -**

The General and Special Revenue Funds budgets shown in the financial statements were prepared on a basis consistent with accounting principles generally accepted in the United States of America and on the same modified accrual basis used to reflect actual results.

The Village President prepares the proposed operating budgets for the year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.

Prior to June 30, the proposed budgets are presented to the Village Council. The Council holds a public hearing and may add to, subtract from, or change appropriations. The budgets are then legally enacted through passage of a Village Council Resolution.

The approved budgets of the Village were adopted for the General and Special Revenue Funds at the activity level. These are the enacted levels under the State of Michigan Uniform Budgeting and Accounting Act and the legally adopted levels of the budget. State statutes do not require legally adopted budgets for debt service or capital projects funds.

Budgets are maintained throughout the year at the account level, to provide additional control in preventing over-expenditures at the legally adopted levels. Amendments at the activity level for the General and Special Revenue Funds must be approved by the Village Council.

The Village does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year end.

Budget amounts are reported as originally adopted and as final amended by the Village Council, during the year.

Michigan Public Act 621 of 1978 Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated at the legally enacted level.



**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (cont'd):**

During the year ended June 30, 2005, the Village incurred expenditures in the General and Special Revenue Funds, which were in excess of the amounts appropriated at the activity level as follows:

**Excess of Expenditures Over Appropriations -**

<u>Fund Type/Function/Activity</u>	<u>Final Budget</u>	<u>Expended</u>	<u>Variance</u>
<b>PRIMARY GOVERNMENT -</b>			
<b>General Fund -</b>			
Village Council	\$ 22,453	\$ 43,088	\$ 20,635
Administrative	35,443	49,647	14,204
Village Manager	22,920	52,968	30,048
Clerk	21,767	39,305	17,538
Treasurer	10,607	14,036	3,429
Village Hall	32,500	34,406	1,906
Police Department	389,968	503,477	113,509
Department of Public Works	42,500	126,648	84,148
Planning	9,900	34,577	24,677
Parks & Recreation	4,700	13,079	8,379
Other	54,409	55,421	1,012
Transfers to Other Fund	-	13,180	13,180
<b>Local Street Fund -</b>			
Public Works	31,545	55,304	23,759

**Other -**

As of June 30, 2005, the General Fund had a fund balance deficit of \$107,179 and the Sewer Fund had an unrestricted net asset deficit of \$45,945.

Bank certifications had not been received from one financial institution.

**NOTE 3 - DEPOSITS AND INVESTMENTS:**

As of June 30, 2005, the carrying amount of the deposits is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Total</u>
<b>Deposits -</b>				
Deposits with Financial Institutions -				
Checking/Money Market	\$ 478,020	\$ 1,357	\$ 290,034	\$ 769,411
Savings/Certificates of Deposit	<u>292,062</u>	<u>-</u>	<u>-</u>	<u>292,062</u>
Total Deposits	<u>\$ 770,082</u>	<u>\$ 1,357</u>	<u>\$ 290,034</u>	<u>\$1,061,473</u>
<b>Reconciliation to Combined Balance Sheet</b>				
Reported as Cash and Cash Equivalents -				
Cash in Checking/Money Market	\$ 478,020	\$ 1,357	\$ 290,034	\$ 769,411
Reported as Investments -				
Certificates of Deposit	<u>292,062</u>	<u>-</u>	<u>-</u>	<u>292,062</u>
	<u>\$ 770,082</u>	<u>\$ 1,357</u>	<u>\$ 290,034</u>	<u>\$1,061,473</u>

**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):**

**Deposits -**

Act 217 PA 1982, as amended, authorizes the Village to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, by section 21.145 and 21.146 of the Michigan Compiled Laws.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

The Village's investment policy primary objectives, in order of priority, are safety, liquidity, diversification and return on investment. The Village's Treasurer is responsible for the investment program.

*Custodial Credit Risk* – is the risk that in the event of a bank failure, the Village's deposit or investments may not be returned. The Village's investment policy does not address credit risk.

*Interest Rate Risk* – is the risk that the market value of securities in the Village's portfolio will fall due to changes in the market interest increases. The Village attempts to minimize interest rate risk by maintaining liquidity to meet all operating requirements without the need to sell securities prior to maturity and investing operating funds primarily in short term securities, money markets mutual funds, or similar public investment pools.

*Credit Risk* – is the risk that in an issuer or other counterparty to an investment will not fulfill its obligation. State laws and Village policy limit the types of investments the Village can purchase.

*Concentration of Credit Risk* – is the risk of loss attributed to the magnitude of the Village's investment in a single issuer. The Village's policy specifies that investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio, to the extent practicable.

As of June 30, 2005, the bank balance of the Village's deposits were \$1,116,121 of which \$304,066 was FDIC insured with the balance of \$812,055 exposed to credit risk because they are uninsured and uncollateralized.

**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 4 - TAXES:**

The Village property taxes are levied each July on the assessment valuation of the property in the Village as of the preceding December 31, as adjusted by the March and July Board of Review.

Assessed values are established annually by the respective Village/Township and are equalized by the State at an estimated percentage of the current market value. Real and personal property for the Village of Capac for the fiscal year 2005 had a Taxable Equalized Value of \$32,277,021 and a State Equalized Value (SEV) of \$43,224,633. The millage rates levied by the Village were 14.4754 for the General Fund, 1.7535 mills for Street Improvements, and 3.4000 for CSO Sewer Bond.

The County of St. Clair has established a Tax Collection Revolving Fund whereby all local units of government are paid for the delinquent real property taxes each year.

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:**

Interfund receivable and payable balances described as Due From and Due To Other Funds on the Balance Sheet reflect amounts due or owed to a particular fund by another fund of the Village. These amounts include only short-term obligations on open accounts, and not current portions of long-term loans.

A summary of these balances by fund type at June 30, 2005, is as follows:

**Due To/From Other Funds -**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue Funds -		
Major Street Fund	General Fund	\$ 13,257
Local Street Fund	General Fund	4,685
Equipment Replacement Fund	General Fund	19,503
Street Improvements Fund	General Fund	40,000
Capital Project -		
Water and Sewer Connection Fee	General Fund	100,000
	Sewer Fund	43,908
Enterprise Funds -		
Sewer Fund	General Fund	11,827
Water Fund	General Fund	2,293
	Sewer Fund	43,350
	Water Fund	19,582
Trash Fund	General Fund	<u>14,804</u>
Total		<u>\$ 313,209</u>

**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS – (cont'd):**

**Due To/From Primary Government and Component Units -**

Component Unit -	Primary Government -	
Downtown Development Authority	General	<u>\$ 1,180</u>

**Transfers From/To Other Funds –**

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Equipment Replacement Fund	\$ 45,690
Major Street Fund	Water/Sewer Connection Fee Fund	36,440
Local Street Fund	Major Street Fund	21,490
Street & Highway Fund	General Fund	13,180
Sewer Fund	Water Fund	8,577
Water Fund	Water and Sewer Connection Fee Fund	<u>97,667</u>
Total Transfers		<u>\$ 223,044</u>

**NOTE 6 - CAPITAL ASSETS:**

Capital asset activity of the primary government for the year ended June 30, 2005 was as follows:

**Primary Government**

	July 1, 2004			June 30, 2005
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 99,254	\$ -	\$ -	\$ 99,254
Construction in progress	<u>123,505</u>	<u>42,808</u>	<u>123,505</u>	<u>42,808</u>
Total capital assets, not being depreciated	<u>222,759</u>	<u>42,808</u>	<u>123,505</u>	<u>142,062</u>
Capital assets, being depreciated:				
Land Improvements	86,779	-	-	86,779
Buildings and improvements	465,998	178,910	-	644,908
Machinery and equipment	216,723	2,800	-	219,523
Vehicles	242,184	17,992	-	260,176
Infrastructure	<u>11,266</u>	<u>9,217</u>	<u>-</u>	<u>20,483</u>
Total capital assets being depreciated	<u>1,022,950</u>	<u>208,919</u>	<u>-</u>	<u>1,231,869</u>
Less accumulated depreciation for:				
Land Improvements	17,250	4,339	-	21,589
Buildings and Improvements	247,319	13,548	-	260,867
Machinery and equipment	114,421	16,263	-	130,684
Vehicles	123,911	30,809	-	154,720
Infrastructure	<u>225</u>	<u>410</u>	<u>-</u>	<u>635</u>
Total accumulated depreciation	<u>503,126</u>	<u>65,369</u>	<u>-</u>	<u>568,495</u>
Total capital assets, being depreciated, net	<u>519,824</u>	<u>143,550</u>	<u>-</u>	<u>663,374</u>
Governmental activities capital assets, net	<u>\$ 742,583</u>	<u>\$ 186,358</u>	<u>\$ 123,505</u>	<u>\$ 805,436</u>

**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 6 – CAPITAL ASSETS – (cont'd):**

	July 1, 2004 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2005 <u>Balance</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 39,000	\$ -	\$ -	\$ 39,000
Construction in progress	<u>-</u>	<u>101,372</u>	<u>-</u>	<u>101,372</u>
Total capital assets, not being depreciated	<u>39,000</u>	<u>101,372</u>	<u>-</u>	<u>140,372</u>
Capital assets, being depreciated				
Utility systems	8,779,919	17,651	-	8,797,570
Machinery and equipment	<u>56,376</u>	<u>-</u>	<u>-</u>	<u>56,376</u>
Total capital assets being depreciated	<u>8,836,295</u>	<u>17,651</u>	<u>-</u>	<u>8,853,946</u>
Less accumulated depreciation for:				
Utility systems	3,182,434	110,526	-	3,292,960
Machinery and equipment	<u>51,064</u>	<u>997</u>	<u>-</u>	<u>52,061</u>
Total accumulated depreciation	<u>3,233,498</u>	<u>111,523</u>	<u>-</u>	<u>3,345,021</u>
Total capital assets, being depreciated, net	<u>5,602,797</u>	<u>( 93,872)</u>	<u>-</u>	<u>5,508,925</u>
Business-type activities, capital assets, net	<u>\$ 5,641,797</u>	<u>\$ 7,500</u>	<u>\$ -</u>	<u>\$ 5,649,297</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 10,027
Public Safety	23,905
Public Works	24,775
Recreation/Culture	<u>6,662</u>
Total depreciation expense - governmental activities	<u>\$ 65,369</u>
Business-type activities:	
Sewer	\$ 70,558
Water	40,865
Trash	<u>100</u>
Total depreciation expense - business-type activities	<u>\$ 111,523</u>

	July 1, 2004 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2005 <u>Balance</u>
<b>Component Unit (DDA)</b>				
Capital assets not being depreciated				
Land	<u>\$ 9,783</u>	<u>-</u>	<u>-</u>	<u>\$ 9,783</u>

**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 7 - LONG-TERM LIABILITIES:**

The following is a summary of changes in the long-term liabilities (including current portions) for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005	Due Within One Year
<u>Governmental Activities:</u>					
Police Building Note Payable	\$ 119,105	\$ 51,000	\$ 11,512	\$ 158,593	\$ 14,002
DPW Truck Capital Lease	-	17,992	-	17,992	9,208
Accrued sick and vacation	<u>8,833</u>	<u>1,140</u>	<u>-</u>	<u>9,973</u>	<u>-</u>
Total Governmental Funds	<u>127,938</u>	<u>70,132</u>	<u>11,512</u>	<u>186,558</u>	<u>23,210</u>
<u>Business-type Activities:</u>					
1991 General Obligation Sewage Disposal System Bonds	40,000	-	40,000	-	-
Michigan Water Pollution Control Loan	335,000	-	40,000	295,000	40,000
2000 Sewage Disposal System No. X Bonds	690,000	-	25,000	665,000	30,000
2004 Water Supply System Refunding Bonds	570,000	-	45,000	525,000	40,000
2004 Sewage Disposal System No. X Refunding Bonds	470,000	-	-	470,000	60,000
Accrued sick and vacation	<u>2,947</u>	<u>-</u>	<u>-</u>	<u>2,947</u>	<u>-</u>
Total Business-type Activities	<u>2,107,947</u>	<u>-</u>	<u>150,000</u>	<u>1,957,947</u>	<u>170,000</u>
Total Entity Primary Government	<u>\$ 2,235,885</u>	<u>\$ 70,132</u>	<u>\$ 161,512</u>	<u>\$ 2,144,505</u>	<u>\$ 193,210</u>

Significant details regarding outstanding long-term debt (including current portions) are presented as follows:

The Village refinanced the loans to purchase and remodel the police station in the amount of \$167,363. The loan is to be repaid in monthly installments of \$1,712, including interest of 4.30% through October 22, 2014.

\$ 158,593

The Village entered into a lease/purchase for the purchase of a Ford pick-up. The note is to be repaid in two annual payments of \$9,208 through June 30, 2006.

\$ 17,952

**Accrued Vacation and Sick Pay:**

In accordance with contracts negotiated with the various employee groups of the Village, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contracts. The dollar amount of these vested rights have been accrued on the financial statements.

\$ 9,973

**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 7 - LONG-TERM LIABILITIES - (cont'd):**

The annual requirements to amortize the following loan outstanding at June 30, 2005 are as follows:

	<u>Police Note</u>		<u>Truck Note</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 14,002	\$ 6,546	\$ 17,992	\$ 426
2007	14,616	5,932	-	-
2008	15,257	5,291	-	-
2009	15,926	4,621	-	-
2010	16,625	3,923	-	-
2011-2015	<u>82,167</u>	<u>8,153</u>	<u>-</u>	<u>-</u>
	<u>\$ 158,593</u>	<u>\$ 34,466</u>	<u>\$ 17,992</u>	<u>\$ 426</u>

**Michigan Water Pollution Control Revolving Loan  
Fund Program:**

To cover part of the construction cost of the Sewage Disposal System, the Village borrowed \$780,000 through the Michigan Municipal Bond Authority as part of the Michigan Water Pollution Control Revolving Loan Fund Program. The total amount of loan money available was \$780,000, however only \$750,409 was drawn. The loan, dated September 26, 1991, is due in annual installments ranging from \$40,000 to \$45,000 through October 1, 2011, with interest of 2%, payable semi-annually.

\$ 295,000

**Water Supply System Revenue Refunding Bonds, Series 2004:**

The 2004 \$570,000 Water Supply System Revenue Refunding Bonds, Dated February 18, 2004, due in annual installments ranging from \$30,000 to \$45,000 through November 1, 2018, with interest ranging from 2.0 to 4.125 percent, payable semi-annually. These bonds were issued to pay off the 1989 Water Supply System Revenue bonds of \$555,000.

\$ 525,000

**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 7 - LONG-TERM LIABILITIES - (cont'd):**

The annual requirements to amortize the following Water supply system bond and loan outstanding at June 30, 2005 are as follows:

	Michigan Water Revolving Loan		2004 Water Supply System Refunding Bond	
	Principal	Interest	Principal	Interest
2006	\$ 40,000	\$ 5,500	\$ 40,000	\$ 15,839
2007	40,000	4,700	35,000	15,089
2008	40,000	3,900	40,000	14,339
2009	45,000	3,050	35,000	13,536
2010	40,000	2,200	40,000	12,614
2011-2015	90,000	1,800	190,000	45,844
2016-2019	-	-	145,000	11,853
	<u>\$ 295,000</u>	<u>\$ 21,150</u>	<u>\$ 525,000</u>	<u>\$ 129,114</u>

**Sewage Disposal System No. X Bonds, Series 2000:**

The 2000 \$790,000 Sewage Disposal System Bonds, dated August 1, 2000, due in annual installments ranging from \$25,000 to \$65,000 through April 1, 2020, with interest ranging from 5.00 to 5.55 percent, payable semi-annually.

\$ 665,000

**Sewage Disposal System No. X Refunding Bonds, Series 2004:**

The 2004 Sewage Disposal System No. X Refunding Bonds, dated May 18, 2004, due in annual installments ranging from \$55,000 to \$75,000 through October 1, 2011, with interest ranging from 2.0 to 3.750 percent, payable semi-annually.

\$ 470,000

The annual requirements to amortize the following Sewage disposal system bonds and notes outstanding at June 30, 2004 are as follows:

	2000 Sewage Disposal System Bond		2004 Sewage Disposal System Refunding Bond	
	Principal	Interest	Principal	Interest
2006	\$ 30,000	\$ 35,315	\$ 60,000	\$ 13,020
2007	30,000	33,815	55,000	11,870
2008	30,000	32,315	65,000	10,508
2009	35,000	30,815	65,000	8,785
2010	35,000	29,065	75,000	6,656
2011-2015	220,000	115,183	150,000	5,531
2016-2020	285,000	49,315	-	-
	<u>\$ 665,000</u>	<u>\$ 325,823</u>	<u>\$ 470,000</u>	<u>\$ 56,370</u>



**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 8 - EMPLOYEE PENSION PLAN:**

**Plan Description -**

The Village of Capac participates in the Municipal Employees Retirement System (MERS), a multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefits provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

**Funding Policy -**

The plan adopted by the Village Council requires no member contributions. The Village is required to contribute at an actuarially determined rate; the rate for fiscal 2005 ranged from 14.03 to 51.02 percent based on employee groups. The contribution requirements of plan members and the Village are established and may be amended by the Village, depending on the MERS contribution program adopted by the Village.

**Annual Pension Costs -**

For fiscal 2005, the Village's annual pension cost of \$106,823 for MERS was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0% (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation (c) additional projected salary increases ranging from 0.0% to 4.16% per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.0 - 2.5% annually. The actuarial value of MERS assets was determined on the basis of the evaluation method that assumes the funds earn the expected rate of return (8%) and includes an adjustment to reflect market value. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years.

**Three-Year Trend Information**

Fiscal Year Ending	Annual Pension Costs (APC)	Percentage of APC Contribution	Net Pension Obligation
June 30, 2003	70,740	100 %	\$ -
June 30, 2004	80,723	100	-
June 30, 2005	106,823	100	-

**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 8 - EMPLOYEE PENSION PLAN – (cont'd):**

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio AAL (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
2002	\$ 732,011	\$ 1,473,795	\$ 741,784	50 %	\$ 291,799	255 %
2003	761,712	1,592,289	830,577	48	365,672	227
2004	806,135	1,626,786	820,651	50	431,564	190

**NOTE 9 - POST RETIREMENT BENEFITS:**

In addition to the pension benefits described in Note 8, the Village of Capac provides health and life insurance benefits on certain retired supervisors. The benefits are paid as incurred. The amount paid on behalf of these four retirees for the year ended June 30, 2005 was \$62,321.

**NOTE 10 - RESERVED FUND BALANCE/RESTRICTED NET ASSETS:**

Reserved Fund Balance -

Fund Balance has been reserved in various governmental funds to indicate the portion of Fund Balance not available but reserved for a specific purpose. The following is a summary of Reserved Fund Balance for all Village funds at June 30, 2005:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Parks and Recreation	\$ 12,287

Restricted Net Assets -

Net Assets have been restricted in various proprietary funds to indicate that portions are restricted for specific purposes. The following net assets are restricted at June 30, 2005:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
Sewer Fund	Debt Retirement/Construction	\$ 207,821
Water Fund	Debt Retirement/Construction	<u>161,119</u>
		<u>\$ 368,940</u>

**VILLAGE OF CAPAC, MICHIGAN**  
**St. Clair County, Michigan**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

**NOTE 11 - RISK MANAGEMENT:**

**General Liability and Property**

The Village participates in the Michigan Municipal League Liability and Property Pool insurance plan. In general the Village carries \$2,000,000 of liability coverage and approximately \$2,400,000 of property insurance with a \$1,000 per claim deductible on property and \$0 on liability.

**Workers' Compensation**

The Village participates in the Michigan Municipal Worker's Compensation Self-Insurance Fund administered by the Michigan Municipal League. The fund provides coverage of workers' compensation claims subjected to a maximum of \$500,000 per occurrence.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# VILLAGE OF CAPAC, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2005

### GENERAL FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property taxes	\$ 323,792	\$ 323,792	\$ 430,227	\$ 106,435
Licenses and permits	16,500	16,500	15,552	( 948)
Intergovernmental -				
Federal	53,037	53,037	49,294	( 3,743)
State	230,264	230,264	221,533	( 8,731)
Local	6,414	6,414	6,413	( 1)
Fines and forfeits	7,000	7,000	11,613	4,613
Interest and rents	2,000	2,000	2,513	513
Other	18,100	18,100	29,200	11,100
Total Revenues	<u>657,107</u>	<u>657,107</u>	<u>766,345</u>	<u>109,238</u>
<b>Expenditures:</b>				
Current -				
General Government	135,601	147,140	234,243	( 87,103)
Public Safety	364,675	391,498	520,075	( 128,577)
Public Works	43,096	42,500	126,648	( 84,148)
Recreation and Culture	12,780	13,190	19,545	( 6,355)
Other	93,534	54,409	55,421	( 1,012)
Debt Service -				
Principal	8,370	8,370	10,995	( 2,625)
Interest	-	-	6,984	( 6,984)
Total Expenditures	<u>658,056</u>	<u>657,107</u>	<u>973,911</u>	<u>( 316,804)</u>
Excess of revenues over (under) expenditures	<u>( 949)</u>	<u>-</u>	<u>( 207,566)</u>	<u>( 207,566)</u>
<b>Other Financing Sources (Uses):</b>				
Note Proceeds	-	-	51,000	51,000
Transfers in	-	-	45,690	45,690
Transfer out	14,000	-	( 13,180)	( 13,180)
Total Financing Sources (Uses)	<u>14,000</u>	<u>-</u>	<u>83,510</u>	<u>83,510</u>
Excess of revenues and other sources over (under) expenditures and other uses	13,051	-	( 124,056)	( 124,056)
Fund Balance at beginning of year	<u>16,877</u>	<u>16,877</u>	<u>16,877</u>	<u>-</u>
Fund Balance (Deficits) at end of year	<u>\$ 29,928</u>	<u>\$ 16,877</u>	<u>\$( 107,179)</u>	<u>\$( 124,056)</u>

# VILLAGE OF CAPAC, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2005

### MAJOR STREET FUND

	Original Budget	Final Budget	Actual	Variance with Amended Budget Positive (Negative)
<b>Revenues:</b>				
Intergovernmental -				
State	\$ 79,819	\$ 86,463	\$ 84,753	\$( 1,710)
Interest	700	700	1,125	425
Total Revenues	<u>80,519</u>	<u>87,163</u>	<u>85,878</u>	<u>( 1,285)</u>
<b>Expenditures:</b>				
Public Works -				
Administrative	1,050	1,050	5,043	( 3,993)
Routine Maintenance	34,100	34,100	58,470	( 24,370)
Sweeping	5,000	5,000	-	5,000
Shoulder Maintenance	2,100	2,200	-	2,200
Traffic Service	2,750	1,500	-	1,500
Winter Maintenance	13,570	11,770	13,962	( 2,192)
Construction	20,000	20,000	-	20,000
Other	1,949	11,543	3,004	8,539
Total Expenditures	<u>80,519</u>	<u>87,163</u>	<u>80,479</u>	<u>6,684</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>5,399</u>	<u>5,399</u>
<b>Other Financing Sources:</b>				
Transfer In	-	-	36,440	36,440
Transfer Out	<u>-</u>	<u>-</u>	<u>( 21,490)</u>	<u>( 21,490)</u>
	<u>-</u>	<u>-</u>	<u>14,950</u>	<u>14,950</u>
Excess of revenues and other sources over expenditures	-	-	20,349	20,349
Fund Balance at beginning of year	<u>131,700</u>	<u>131,700</u>	<u>131,700</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 131,700</u>	<u>\$ 131,700</u>	<u>\$ 152,049</u>	<u>\$ 20,349</u>

## **OTHER SUPPLEMENTARY INFORMATION**

**VILLAGE OF CAPAC, MICHIGAN**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

**JUNE 30, 2005**

	Special Revenue Funds			Capital Projects Fund	
	Local Street	Street Improvement	Street and Highway	Equipment Replacement	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,157	\$ 60,893	\$ -	\$ 30,613	\$ 99,663
Due from other funds	4,685	40,000	-	19,503	64,188
Due from other governmental units - State	4,973	-	-	-	4,973
Total Assets	<u>\$ 17,815</u>	<u>\$ 100,893</u>	<u>\$ -</u>	<u>\$ 50,116</u>	<u>\$ 168,824</u>
<b>ABILITIES AND FUND BALANCE</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 1,321	\$ -	\$ -	\$ -	\$ 1,321
Wages payable	1,395	-	-	-	1,395
Total Liabilities	<u>2,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,716</u>
<b>Fund Balance:</b>					
Unreserved - Undesignated	15,099	100,893	-	50,116	166,108
Total Fund Balance	<u>15,099</u>	<u>100,893</u>	<u>-</u>	<u>50,116</u>	<u>166,108</u>
Total Liabilities and Fund Balance	<u>\$ 17,815</u>	<u>\$ 100,893</u>	<u>\$ -</u>	<u>\$ 50,116</u>	<u>\$ 168,824</u>



# VILLAGE OF CAPAC, MICHIGAN

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Special Revenue Funds			Capital Projects Fund	
	Local Street	Street Improvement	Street and Highway	Equipment Replacement	Total
<b>Revenues:</b>					
Taxes	\$ -	\$ 53,595	\$ -	\$ -	\$ 53,595
Intergovernmental -					
State	37,339	-	-	-	37,339
Local	-	-	-	-	-
Interest	153	366	-	770	1,289
	<u>37,492</u>	<u>53,961</u>	<u>-</u>	<u>770</u>	<u>92,223</u>
<b>Expenditures:</b>					
Current -					
Public Works	55,304	-	-	-	55,304
Other	-	-	-	19,477	19,477
	<u>55,304</u>	<u>-</u>	<u>-</u>	<u>19,477</u>	<u>74,781</u>
Excess of revenues over under (expenditures)	<u>( 17,812)</u>	<u>53,961</u>	<u>-</u>	<u>( 18,707)</u>	<u>17,442</u>
<b>Other Financing Sources:</b>					
Loan Proceeds	-	-	-	17,992	17,992
Transfers in	21,490	-	13,180	-	34,670
Transfers out	-	-	-	( 45,690)	( 45,690)
	<u>21,490</u>	<u>-</u>	<u>13,180</u>	<u>( 27,698)</u>	<u>6,972</u>
Excess of revenues and other sources (uses) over (under) expenditures	3,678	53,961	13,180	( 46,405)	24,414
Fund Balances at beginning of year	<u>11,421</u>	<u>46,932</u>	<u>( 13,180)</u>	<u>96,521</u>	<u>141,694</u>
Fund Balances at end of year	<u>\$ 15,099</u>	<u>\$ 100,893</u>	<u>\$ -</u>	<u>\$ 50,116</u>	<u>\$ 166,108</u>

# VILLAGE OF CAPAC, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>LOCAL STREET</b>			
<b>Revenues:</b>			
Intergovernmental -			
State	\$ 31,445	\$ 37,339	\$ 5,894
Interest	100	153	53
Total Revenues	<u>31,545</u>	<u>37,492</u>	<u>5,947</u>
<b>Expenditures:</b>			
Public Works -			
Administration	2,070	7,900	( 5,830)
Routine Maintenance	22,300	36,515	( 14,215)
Traffic Services	900	-	900
Winter Maintenance	6,070	10,889	( 4,819)
Non-Motorized	205	-	205
Total Expenditures	<u>31,545</u>	<u>55,304</u>	<u>( 23,759)</u>
Excess of revenues over expenditures	-	( 17,812)	( 17,812)
<b>Other Financing Sources:</b>			
Transfers in	<u>-</u>	<u>21,490</u>	<u>21,490</u>
Net change in fund balance	-	3,678	3,678
Fund Balance at beginning of year	<u>11,421</u>	<u>11,421</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 11,421</u></u>	<u><u>\$ 15,099</u></u>	<u><u>\$ 3,678</u></u>

Continued

# VILLAGE OF CAPAC, MICHIGAN

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2005

	Original/ Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>STREET IMPROVEMENT</b>			
<b>Revenues:</b>			
Taxes	\$ 56,518	\$ 53,595	\$( 2,923)
Interest	500	366	(134)
	<u>57,018</u>	<u>53,961</u>	<u>( 3,057)</u>
 <b>Expenditures:</b>			
Public Works -			
Other	<u>57,018</u>	<u>-</u>	<u>57,018</u>
Excess of revenues under expenditures	-	53,961	53,961
Fund Balance at beginning of year	<u>46,932</u>	<u>46,932</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 46,932</u></u>	<u><u>\$ 100,893</u></u>	<u><u>\$ 53,961</u></u>

Concluded

# VILLAGE OF CAPAC, MICHIGAN

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2005

### STREET & HIGHWAY

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 123,201	\$ 129,490	\$ -	\$( 129,490)
Interest	1,000	500	-	( 500)
Other	500	500	-	( 500)
Total Revenues	<u>124,701</u>	<u>130,490</u>	<u>-</u>	<u>( 130,490)</u>
<b>Expenditures:</b>				
Public Works -				
Administrative	7,500	7,876	-	7,876
Routine maintenance	107,201	122,614	-	122,614
Total Expenditures	<u>114,701</u>	<u>130,490</u>	<u>-</u>	<u>130,490</u>
Excess of revenues over (under) expenditures	10,000	-	-	-
<b>Other Financing Uses:</b>				
Transfers in (out)	<u>( 10,000)</u>	<u>-</u>	<u>13,180</u>	<u>13,180</u>
Net change in fund balance	-	-	13,180	13,180
Fund Balance at beginning of year	<u>( 13,180)</u>	<u>( 13,180)</u>	<u>( 13,180)</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$( 13,180)</u></u>	<u><u>\$( 13,180)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 13,180</u></u>

**VILLAGE OF CAPAC, MICHIGAN**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF REVENUES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Original/Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Property Taxes:</b>			
Property taxes	\$ 323,792	\$ 430,227	\$ 106,435
<b>Licenses and Permits:</b>			
Cable franchise	4,500	3,469	( 1,031)
Sprint tower reimbursement	12,000	12,083	83
	<u>16,500</u>	<u>15,552</u>	<u>( 948)</u>
<b>Intergovernmental - Revenue:</b>			
Federal -			
C.O.P.S. Grant	-	2,681	2,681
Liaison Grant	53,037	46,613	( 6,424)
State -			
State liquor tax	1,900	730	( 1,170)
State shared revenue	222,464	219,573	( 2,891)
Police grants	-	1,230	1,230
Metro act	5,900	-	( 5,900)
Local -			
Parks and recreation	6,414	6,413	( 5,184)
	<u>289,715</u>	<u>277,240</u>	<u>( 12,475)</u>
<b>Fines and Forfeits:</b>			
Violations	7,000	11,613	4,613
<b>Interest and Rents:</b>			
Interest earned	2,000	2,513	513
<b>Other Revenue:</b>			
Donations	-	1,113	1,113
Sale of assets	-	-	-
Reimbursements	11,600	27,301	15,701
Miscellaneous	6,500	786	( 5,714)
	<u>18,100</u>	<u>29,200</u>	<u>11,100</u>
<b>Other Financing Sources:</b>			
Transfer in	-	45,690	45,690
Note Proceeds	-	51,000	51,000
	<u>-</u>	<u>96,690</u>	<u>96,690</u>
Total Revenues	<u>\$ 657,107</u>	<u>\$ 863,035</u>	<u>\$ 205,928</u>

**VILLAGE OF CAPAC, MICHIGAN**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>General Government -</b>				
Village Council -				
Salaries	\$ 14,445	\$ 14,445	\$ 14,835	\$( 390)
Fringe benefits	4,300	4,300	4,607	( 307)
Membership dues	1,857	1,608	1,918	( 310)
Legal			18,960	( 18,960)
Other	2,100	2,100	2,768	( 668)
Total Village Council	22,702	22,453	43,088	( 20,635)
Administration -				
Salaries	18,350	19,818	29,896	( 10,078)
Fringe benefits	13,100	15,200	18,201	( 3,001)
Other	425	425	1,550	( 1,125)
Total Administration	31,875	35,443	49,647	( 14,204)
Village Manager -				
Salaries	-	-	28,807	( 28,807)
Fringe benefits	-	-	22,379	( 22,379)
Membership dues	-	-	320	( 320)
Other	-	22,920	1,462	21,458
Total Village Manager	-	22,920	52,968	( 30,048)
Elections -				
Fringe benefits	50	50	-	50
Other	1,400	1,400	793	607
Total Elections	1,450	1,450	793	657
Clerk -				
Salaries and wages	10,667	10,667	20,956	( 10,289)
Fringe benefits	900	1,000	3,401	( 2,401)
Office supplies	3,500	3,500	4,864	( 1,364)
Printing and publishing	1,500	2,000	2,609	( 609)
Telephone	3,000	4,500	3,850	650
Travel	100	100	23	77
Other	-	-	3,602	( 3,602)
Total Clerk	19,667	21,767	39,305	( 17,538)
Treasurer -				
Salaries	8,907	8,907	10,438	( 1,531)
Fringe benefits	600	700	789	( 89)
Office supplies	1,000	1,000	759	241
Other	-	-	2,050	( 2,050)
Total Treasurer	10,507	10,607	14,036	( 3,429)

**VILLAGE OF CAPAC, MICHIGAN**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Village Hall -				
Utilities	\$ 6,300	\$ 7,500	\$ 9,929	\$ (2,429)
Repairs and maintenance	4,000	4,000	10,050	( 6,050)
Professional services	10,000	10,000	6,784	3,216
Hydrant rental	16,338	-	-	-
Capital Outlay	1,762	-	-	-
Other	11,000	11,000	7,643	3,357
Total Village Hall	49,400	32,500	34,406	( 1,906)
Total General Government	135,601	147,140	234,243	( 87,103)
<b>Public Safety:</b>				
Police Department				
Salaries	207,500	214,440	227,120	(12,680)
Fringe benefits	90,000	102,000	139,620	( 37,620)
Crossing guard	3,100	3,200	3,087	113
Office supplies	3,500	5,000	4,295	705
Operating supplies	3,000	3,000	9,445	( 6,445)
Gasoline and oil	3,800	4,800	-	4,800
Uniforms	4,400	4,400	-	4,400
Legal expense	10,000	10,000	18,273	(8,273)
Insurance	2,400	4,258	-	4,258
Telephone	4,000	5,000	7,976	(2,976)
Utilities	1,000	5,500	2,752	2,748
Repairs and maintenance				
Vehicle	2,500	3,500	3,472	28
Equipment	1,000	1,000	490	510
Education and training	4,850	5,850	1,984	3,866
Travel	2,000	2,000	6,309	(4,309)
Capital Outlay	4,000	4,000	55,405	(51,405)
Other	3,625	3,650	5,270	( 1,620)
Debt Service -				-
Principal	8,370	8,370	10,995	( 2,625)
Interest	-	-	6,984	( 6,984)
Total Police Department	359,045	389,968	503,477	( 113,509)
Planning Commission -				
Salaries & wages	6,200	6,200	26,319	(20,119)
Fringe benefits	500	500	432	68
Other	7,300	3,200	7,826	( 4,626)
Total Planning Commission	14,000	9,900	34,577	( 24,677)
Total Public Safety	373,045	399,868	538,054	( 138,186)

**VILLAGE OF CAPAC, MICHIGAN**  
**GENERAL FUND**  
**DETAILED SCHEDULE OF EXPENDITURES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Public Works:</b>				
Department of Public Works -				
Salaries	\$ 6,000	\$ 6,480	\$ 50,033	\$ (43,553)
Fringe benefits	1,500	1,500	46,836	( 45,336)
Supplies	1,000	1,000	1,886	( 886)
Repairs and Maintenance	12,000	10,000	4,445	5,555
Capital Outlay	-	-	9,217	( 9,217)
Other	-	-	14,231	( 14,231)
	<u>20,500</u>	<u>18,980</u>	<u>126,648</u>	<u>( 84,220)</u>
Street Lighting -				
Utilities	<u>22,596</u>	<u>23,520</u>	<u>-</u>	<u>23,520</u>
Total Public Works	<u>43,096</u>	<u>42,500</u>	<u>126,648</u>	<u>( 84,148)</u>
<b>Recreation and Cultural:</b>				
Parks and Recreation -				
Salaries	1,500	1,000	1,228	( 228)
Fringe benefits	750	300	94	206
Supplies	500	1,000	113	887
Utilities	1,000	1,000	674	326
Contracted Services	-	-	10,970	( 10,970)
Other	<u>500</u>	<u>1,400</u>	<u>-</u>	<u>1,400</u>
Total Civil Defense	<u>4,250</u>	<u>4,700</u>	<u>13,079</u>	<u>( 8,379)</u>
Library -				
Supplies	150	150	156	( 6)
Utilities	5,040	5,000	3,166	1,834
Repairs and maintenance	1,000	1,000	82	918
Contractual services	2,340	2,340	2,205	135
Other	<u>-</u>	<u>-</u>	<u>857</u>	<u>( 857)</u>
	<u>8,530</u>	<u>8,490</u>	<u>6,466</u>	<u>2,024</u>
Total Recreation and Cultural	<u>12,780</u>	<u>13,190</u>	<u>19,545</u>	<u>( 6,355)</u>
<b>Other:</b>				
Insurance and bonds	32,500	34,102	35,012	(910)
Workers compensation insurance	241	646	1,313	( 667)
Contingencies	<u>60,793</u>	<u>19,661</u>	<u>19,096</u>	<u>565</u>
Total Other	<u>93,534</u>	<u>54,409</u>	<u>55,421</u>	<u>( 1,012)</u>
Total Expenditures	658,056	657,107	973,911	(316,804)
Transfers to Other Funds				
Street and highway	<u>14,000</u>	<u>-</u>	<u>13,180</u>	<u>( 13,180)</u>
Total Expenditures and Transfers To Other Funds	<u>\$ 672,056</u>	<u>\$ 657,107</u>	<u>\$ 987,091</u>	<u>\$( 329,984)</u>



# VILLAGE OF CAPAC, MICHIGAN

## STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUND - TRUST AND AGENCY FUND FOR THE YEAR ENDED JUNE 30, 2005

	Balance July 1, 2004	Additions	Reductions	Balance June 30, 2005
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,388	\$ 4,703	\$ 4,734	\$ 1,357
Due from county	1,034	1,569	1,569	1,034
Total Assets	<u>\$ 2,422</u>	<u>\$ 6,272</u>	<u>\$ 6,303</u>	<u>\$ 2,391</u>
<b>Liabilities:</b>				
Due to other governmental units -				
State	\$ 2,422	\$ 1,745	\$ 2,166	\$ 2,001
County	-	464	74	390
Total Liabilities	<u>\$ 2,422</u>	<u>\$ 2,209</u>	<u>\$ 2,240</u>	<u>\$ 2,391</u>

## **COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY**

# VILLAGE OF CAPAC, MICHIGAN

## BALANCE SHEET/STATEMENT OF NET ASSETS DOWNTOWN DEVELOPMENT AUTHORITY JUNE 30, 2005

	Governmental Activities	GASB 34 Adjustments	Statement of Net Assets
<b>ASSETS</b>			
Cash and cash equivalents	\$ 290,034	\$ -	\$ 290,034
Taxes Receivable	30,000	-	30,000
Due from primary government	1,180	-	1,180
Capital Assets (net of accumulated depreciation)			
Assets being depreciated	-	9,783	9,783
<b>Total Assets</b>	<b>\$ 321,214</b>	<b>\$ 9,783</b>	<b>\$ 330,997</b>
 <b>FUND BALANCE/NET ASSETS</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -		\$ -
Accrued interest	-		-
Non-current liabilities			
Due within one year	-		-
Due in more than one year	-		-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance/Net Assets:</b>			
Investment in capital assets, net of related debt	-	9,783	9,783
Unreserved	321,214	-	321,214
	321,214	9,783	330,997
 <b>Total Liabilities and Fund Balance</b>	 <b>\$ 321,214</b>	 <b>\$ 9,783</b>	 <b>\$ 330,997</b>

**VILLAGE OF CAPAC, MICHIGAN**

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
ON THE STATEMENT OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY  
JUNE 30, 2005**

Fund Balances - total governmental funds	\$	321,214
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Amounts reported for Component unit activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the funds.

Capital assets		<u>9,783</u>
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Net Assets of Downtown Development Authority activities	\$	<u><u>330,997</u></u>
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**VILLAGE OF CAPAC, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/  
STATEMENT OF ACTIVITIES  
DOWNTOWN DEVELOPMENT AUTHORITY  
FOR THE YEARS ENDED JUNE 30, 2005**

	<u>Actual</u>	<u>GASB 34 Adjustments</u>	<u>Total</u>
<b>Revenues:</b>			
Taxes	\$ 65,148	\$ -	\$ 65,148
Interest	2,486	-	2,486
	<u>67,634</u>	<u>-</u>	<u>67,634</u>
<b>Expenditures:</b>			
Current -			
Public Works	<u>2,025</u>	<u>-</u>	<u>2,025</u>
Excess of revenues over (under) expenditures	65,609	-	65,609
Fund Balance/Net Assets at beginning of year	<u>255,605</u>	<u>9,783</u>	<u>265,388</u>
Fund Balance at end of year	<u><u>\$ 321,214</u></u>	<u><u>\$ 9,783</u></u>	<u><u>\$ 330,997</u></u>

To the President and Members of  
the Village Council of Trustees  
Capac, Michigan

In planning and performing our audit of the basic financial statements of Village of Capac, Michigan for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

For the year ended June 30, 2005 there were a number of reportable conditions noted that in our judgment, could have adversely affected the Village's ability to record, process, summarize, and report financial data throughout the year. Most of these were reported in the audit of the June 30, 2004 financial statements. However, toward the end of the fiscal year, the Village contracted with an independent bookkeeper that we believe will correct a number of the reportable conditions. Therefore, we have not repeated those reportable conditions in this report even though they existed for most of fiscal 2005. Listed below are reportable conditions that we noted that we do not believe were corrected:

**The utilities accounts receivable ledger should be reconciled to the Village's general ledger on a monthly basis. In addition, there is lack of segregation of duties over the utility billing process.**

The Village's detail utilities accounts receivable ledger is not reconciled to the general ledger on a monthly basis. By not performing the reconciliation, transactions or adjustments may be posted to the general ledger, but not the utility billing or vice versa. In addition, there is a lack of segregation of duties over the utility billing process, in that the same individual prepares the billings, mails the bills, posts the activity to the utility billing system, makes adjustments and receipts cash.

We recommend that the billing and collection process be separated as much as possible. In addition, we recommend that the utility accounts receivable ledger and the general ledger be reconciled on a monthly basis.

**A cash receipt should be written for all water/sewer and taxes collections.**

At the current time when water and sewer payments are received a prenumbered receipt is not written, rather the bill and stub is stamped paid and the bill given back to the customer and the stub maintained by the Village. In addition a similar process is utilized for the tax collections. We understand that writing an individual receipt for each payment would be very time consuming and not necessary.

However, we recommend that each day the water and sewer payments and tax collections for the day be totaled and a receipt written for the total. The stubs and tax bills should then be bundled together and maintained and documented.

In addition to the reportable conditions noted above we noted various items, that although they are not reportable conditions they would increase the efficiency and/or enhance controls of the Village.

**Expenditures should not exceed budgeted amounts.**

As noted in the financial statements, some of the expenditures exceed the amounts appropriated. Michigan Public Act 621 provides that a municipality shall not incur expenditures in excess of the amounts appropriated. The Village has established procedures to detect such violations; however, there were instances where overages occurred.

We recommend that the budget be continued to be monitored and budget amendments made when necessary.

**Petty cash should be maintained separately from other cash receipts.**

During our audit it was noted that the petty cash and money received from residents are commingled. We recommend that the petty cash be maintained in a separate secured location.

**All checks should be restrictively endorsed by the person opening the mail.**

At the current time checks are not restrictively endorsed by the person opening the mail. We recommend that the check be restrictively endorsed immediately by the person opening the mail.

**Certifications should be obtained from all financial institutions that have Village deposits.**

Michigan Compiled Laws require that municipalities obtain certifications from any financial institution where the City has deposits, certifying that they are familiar with Act 20 PA 1943, as amended, and the investment policy of the Village, and will only invest funds in accordance with these policies. During our audit we noted that the Village did not obtain a certification from one of the financial institutions that you utilize.

We recommend that the Village obtain the certification.

**A plan should be adopted to eliminate the fund balance net asset deficits.**

As of June 30, 2005 the Village's General Fund had an unreserved fund balance deficit of \$ 119,466 and the Sewer Fund had an unrestricted net asset deficit of \$45,945. The Michigan Department of Treasury requires that a deficit reduction plan be filed for any fund in a deficit condition outlining how the Village plans to get out of the deficits. This plan should also address any potential cash flow problems as a result of the deficits.

We recommend that a plan be adopted and forwarded to the Michigan Department of Treasury as soon as possible.

**The Village should review the amount of taxes captured by the Downtown Development Authority.**

During our audit we noted that the Downtown Development Authority had not collected any taxes from Mussey Township for the 2004 tax levy. It appears that there should have been a significant capture for the 2004 tax year (approximately \$30,000).

We recommend that the Village investigate why no taxes were received for Mussey Township.

This report is intended solely for the information of the Village Council, management, others within the organization, the Michigan Department of Treasury and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script, reading "Stewart, Beauvais & Whipple".

November 29, 2005